II. THE AGGREGATE IMPACT OF EUC

The primary purpose of extended benefits programs is to provide additional Unemployment Insurance (UI) coverage to workers during periods of slack labor demand. Because such programs are often implemented quickly, on an emergency basis, their benefits may sometimes not be well targeted toward those labor markets in greatest need. In this chapter, we examine several aspects of the overall performance of the Extended Unemployment Compensation (EUC) program that seek to illuminate this targeting question. The chapter uses mainly aggregate data, usually taking the perspective of the nation as a whole. Our primary focus is on comparing EUC to earlier extended benefits programs as a way of drawing some lessons from the more recent experiences. We are also concerned with assessing the timing of the EUC program and evaluating its relationship to state labor market conditions. In general, we find that the size of the EUC program was appropriate for the state of the labor market that prevailed in the early 1990s, but that its timing relative to the business cycle could have been improved.

The chapter is divided into four sections. In Section A, we provide an overall summary of program activities and compare them to aggregate measures drawn from other extended benefits programs. Section B assesses the cyclical adequacy of the EUC program by looking at the relationship between program payment activities and the strength of labor markets as measured by the total unemployment rate (TUR). Using this summary of the EUC program's cyclical pattern, Section C examines the likely stabilizing effects of EUC on the macroeconomy. Finally, Section D examines the performance of the trigger mechanism used to implement the EUC program, with particular attention to the relationship between that mechanism and the one used to implement the permanent extended benefits (EB) program.

A. SUMMARY OF THE AGGREGATE DATA

The EUC program provided $28.6 billion in benefits, a figure which, in nominal terms, was similar to the amount provided by the Federal Supplemental Benefits (FSB) program in the 1970s and considerably larger than the amount provided by the Federal Supplemental Compensation (FSC) program in the 1980s (see Figure II.1). This pattern does not hold up once benefits are stated in real terms; by that measure, EUC falls somewhere between FSB and FSC in total program size (Figure II.2).[1]

Another conclusion that can be drawn from the figures is that benefit payments under EUC were somewhat less concentrated than were those under the earlier emergency program. This may be explained in part by the differing shapes of the recessions during these historical periods. The recession of the early 1990s is widely viewed as somewhat less steep, but perhaps more long-lasting, than the recessions earlier emergency programs addressed. However, some part of the large benefit payments under EUC that occurred well after the recessionary trough may also be explainable by the complex structure of the program--especially its optional claims feature, a topic we take up in the next section.

Finally, the figures highlight the fate of the EB program during the most recent recession. Whereas, in earlier recessions, real EB benefits were substantial and peaked somewhat earlier than did the emergency benefits, benefits under this program were very small during the 1990s. For all

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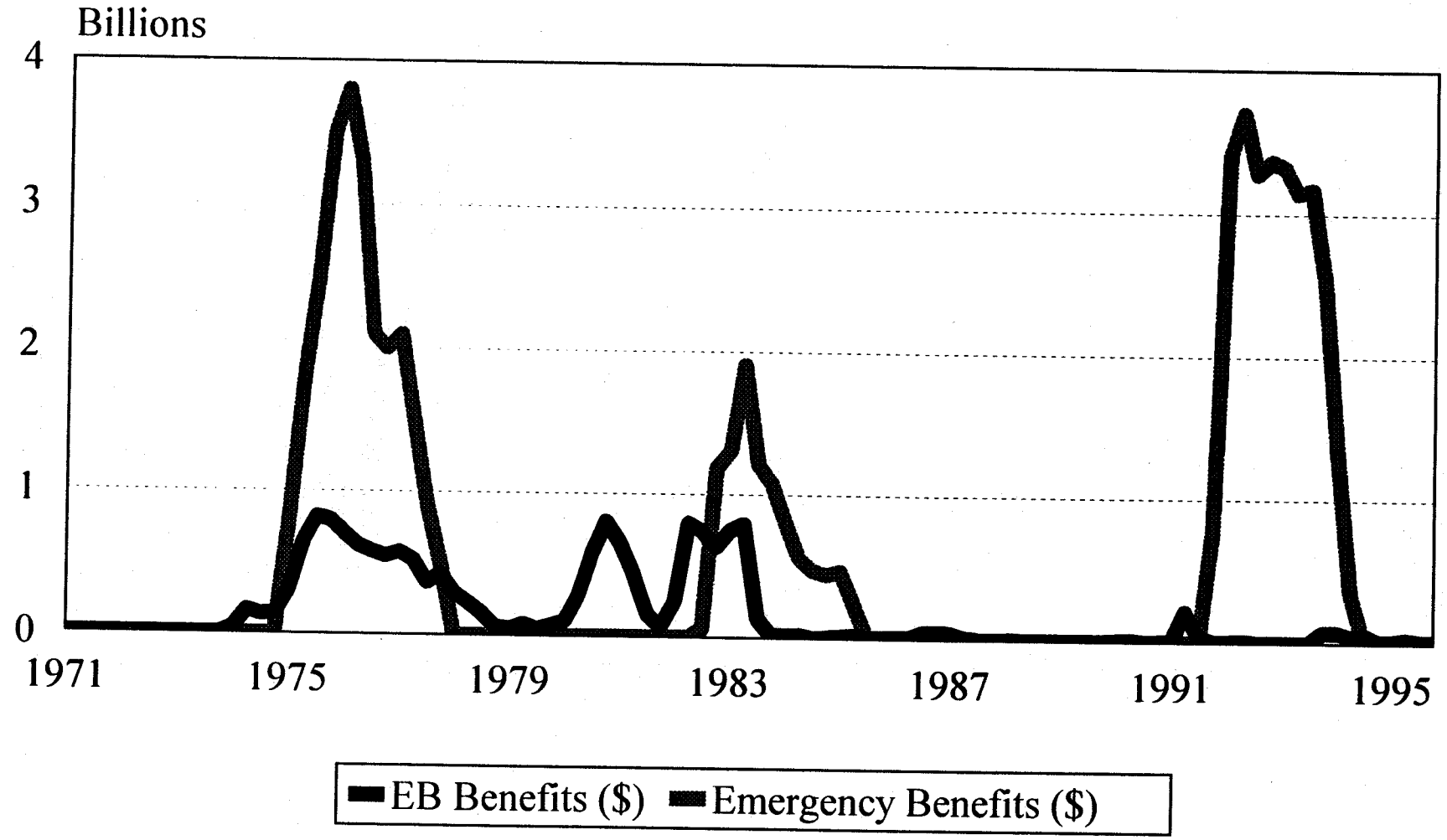
[1]National totals for benefits paid under extended benefits programs are shown in Figures II.1 and II.2 for the period 1971.1 to 1995.4. For ease of presentation, benefit payments under the regular EB program are shown separately, but benefits under the three "emergency" programs (FSB in the 1970s, FSC in the 1980s, and EUC in the 1990s) are shown as a single series. Nominal benefit payments are shown in Figure II.1, whereas the data in Figure II.2 have been adjusted to real terms, using the Consumer Price Index (CPI) (1982-83 = 100). Nominal total benefits were : $24.8 billion (FSB), $9.8 billion (FSC), and $28.3 billion (EUC). Real total benefits (in 1982-83 dollars) were: $43.9 billion (FSB), $9.7 billion (FSC), and $19.9 billion (EUC).

FIGURE II.1

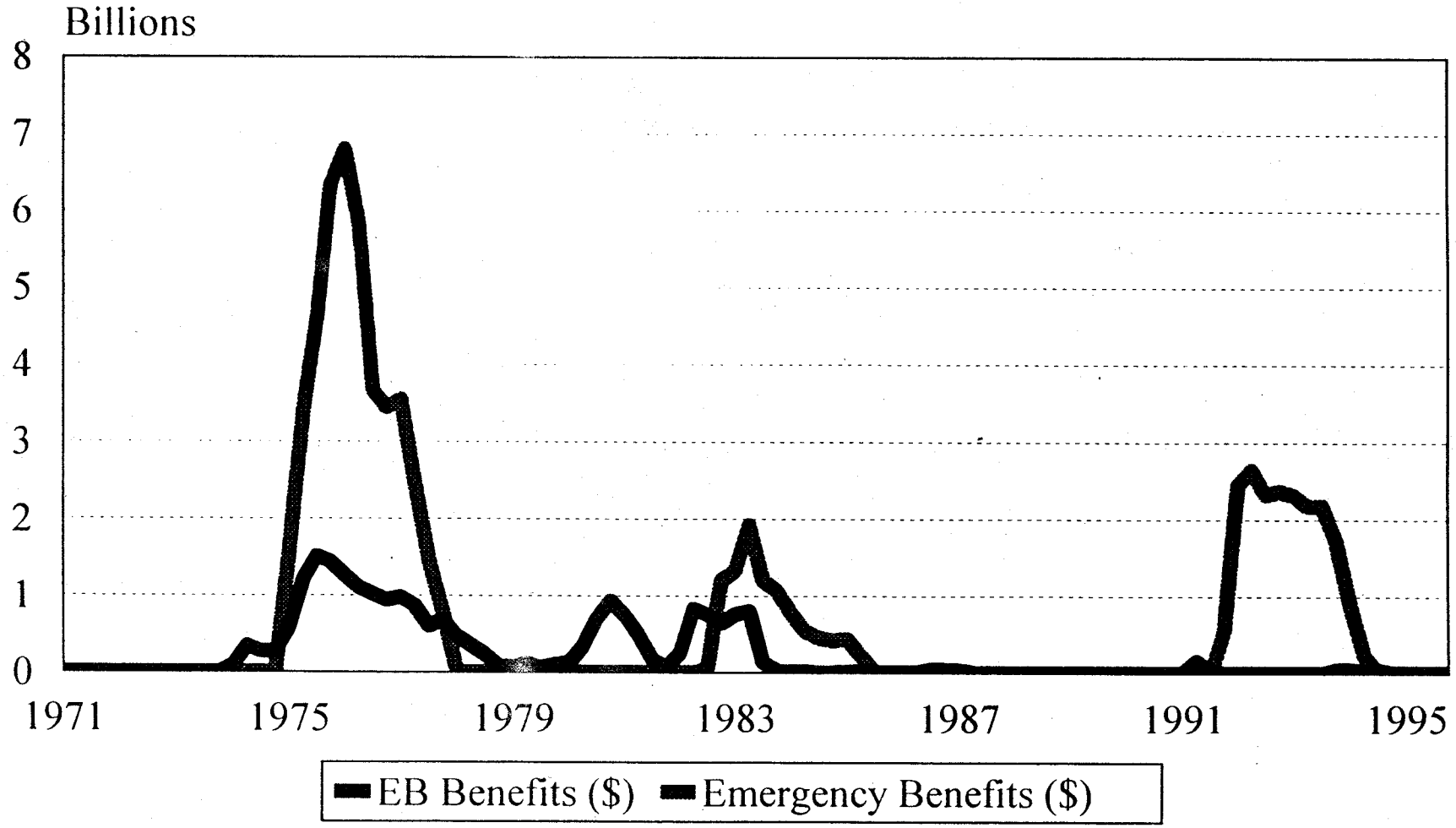
EXTENDED BENEFIT PAYMENTS
(Dollars)



Note: Emergency programs include benefits from the Federal Supplemental Benefits, Federal Supplemental Compensation, and Emergency Unemployment Compensation programs.

FIGURE II.2

REAL EXTENDED BENEFIT PAYMENTS
(1982-83 Dollars)



Note: Emergency programs include benefits from the Federal Supplemental Benefits, Federal Supplemental Compensation, and Emergency Unemployment Compensation programs.

practical purposes, EUC replaced EB. That result had major consequences for the financing of extended benefits during the recession of the early 1990s. It also poses a challenge for the design of extended benefits policy in the future.

The conclusions about real benefits payments are mirrored in data on first payments paid, presented in Figure II.3.[2] First payments under EUC were, in fact, significantly greater than under the other emergency programs--totaling about 9.2 million, compared to 6.1 million under FSB and 7.7 million under FSC. Again, this difference is largely explained by the fact that EUC replaced EB, which provided a very small number of EB first payments during the 1990s recession. If EB first payments are included in the totals, the 1970s programs again emerge as the largest (although, adding EB and FSB first payments double-counts a large number of recipients who collected under both programs).

Individual states experienced widely differing levels of EUC activity (Table II.1). The table reports data on first payments, weeks paid, and dollars of benefits per unemployed worker.[3] For example, whereas, on average, about 9 percent of unemployed workers received a first payment under EUC, seven states (Alaska, Connecticut, District of Columbia, Maine, New Jersey, North Carolina, and Rhode Island) had EUC first payments that averaged more than 14 percent of their total number of unemployed workers. Similarly, total weeks of benefits of EUC averaged about 1.4

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[2]In examining the data on first payments, it is important to recognize that many workers who collect a first payment under the emergency programs also had received a first payment under EB. The extent of this double counting is greatest during the recession of the 1970s and least during the most recent (EUC) period.

[3]Table II.1 reports three measures of EUC experience at the state level : (1) first payments, (2) total weeks paid, and (3) total dollars of benefits. Because the states differ greatly in the size of their labor forces, we normalized all the EUC data by the average number of unemployed workers during a quarter and then averaged these figures over the 11-quarter period that EUC benefits were paid (1991.4-1994.2). Although this normalization is not ideal, it is sufficient to permit the illustration of general trends.

FIGURE II.3

NUMBER OF FIRST PAYMENTS PER QUARTER

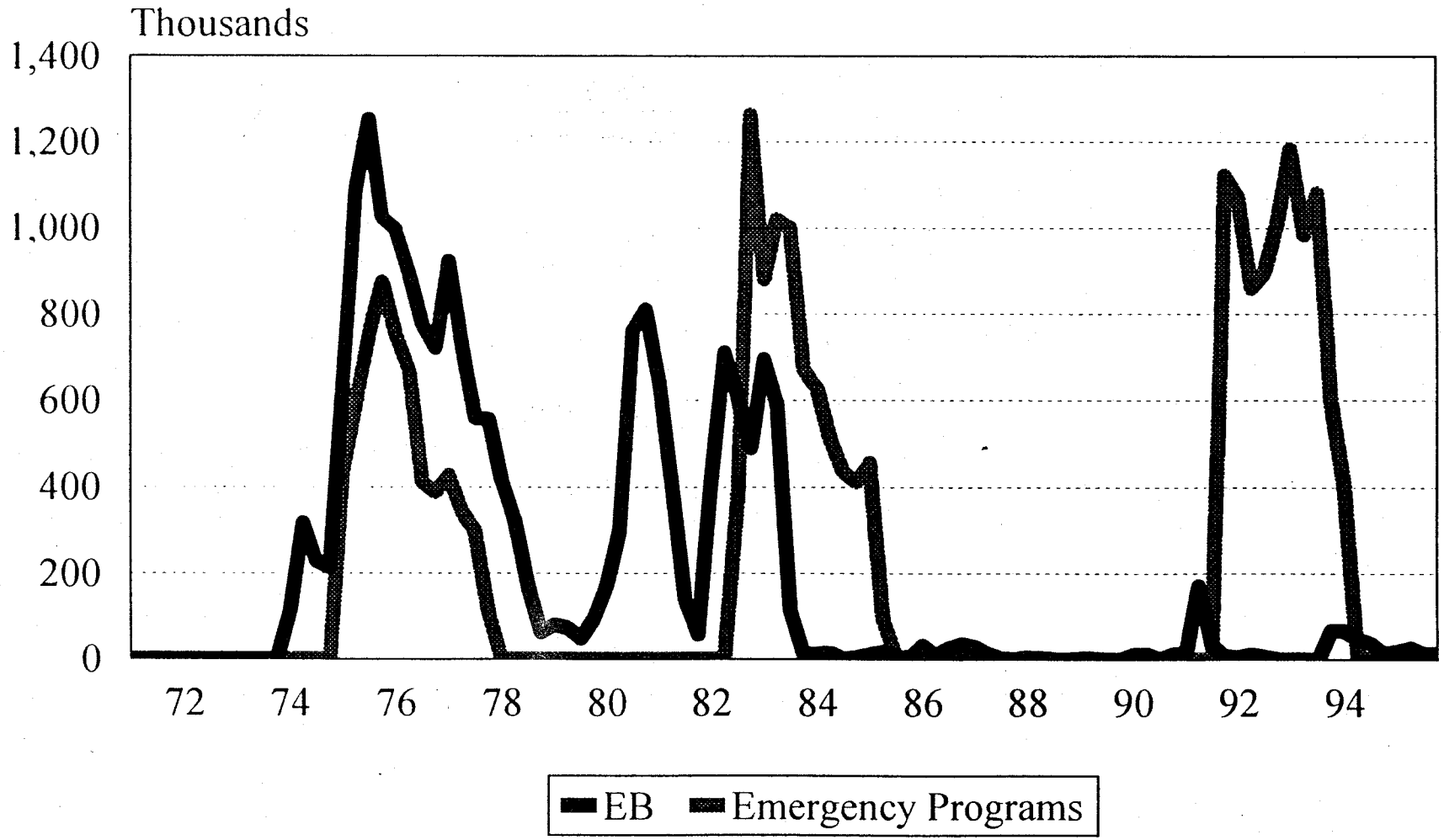

TABLE II.1

EUC PAYMENTS AND BENEFITS PER UNEMPLOYED WORKER, BY STATE

State	EUC First Payments per Unemployed Worker	Total EUC Benefit Dollars per Unemployed Worker	Total EUC Weeks Compensated per Unemployed Worker	Total Unemployment Rate
Alabama	0.06	107	0.9	7.2
Alaska	0.16	462	2.8	8.5
Arizona	0.07	132	0.9	6.9
Arkansas	0.08	195	1.3	6.6
California	0.07	292	1.9	9.1
Colorado	0.06	163	0.9	5.4
Connecticut	0.15	574	2.8	6.7
Delaware	0.07	207	1.2	5.4
DC	0.15	495	2.4	8.5
Florida	0.08	196	1.3	7.5
Georgia	0.07	156	1.1	6.0
Hawaii	0.11	394	1.6	4.6
Idaho	0.10	200	1.4	6.2
Illinois	0.09	243	1.3	7.3
Indiana	0.06	93	0.8	5.8
Iowa	0.08	194	1.2	4.3
Kansas	0.09	241	1.4	4.8
Kentucky	0.07	173	1.2	6.4
Louisiana	0.07	108	0.9	7.8
Maine	0.15	378	2.4	7.6
Maryland	0.07	246	1.4	6.2
Massachusetts	0.09	579	2.0	7.6
Michigan	0.10	338	1.7	7.8
Minnesota	0.08	218	1.1	5.0
Mississippi	0.09	143	1.2	7.3
Missouri	0.11	225	1.6	5.9
Montana	0.07	145	1.1	6.3
Nebraska	0.06	104	0.8	2.9
Nevada	0.10	243	1.5	6.8
New Hampshire	0.08	152	0.8	6.7
New Jersey	0.14	610	2.8	7.7

TABLE II.1 *(continued)*

State	EUC First Payments per Unemployed Worker	Total EUC Benefit Dollars per Unemployed Worker	Total EUC Weeks Compensated per Unemployed Worker	Total Unemployment Rate
New Mexico	0.03	101	0.7	7.2
New York	0.14	473	2.5	8.0
North Carolina	0.15	197	1.3	5.3
North Dakota	0.09	154	1.1	4.6
Ohio	0.07	219	1.3	6.7
Oklahoma	0.06	149	0.9	6.0
Oregon	0.10	292	1.8	7.1
Pennsylvania	0.13	466	2.4	7.2
Rhode Island	0.17	611	3.0	8.3
South Carolina	0.07	147	1.1	6.9
South Dakota	0.03	33	0.3	3.4
Tennessee	0.11	185	1.5	5.9
Texas	0.07	179	1.1	7.3
Utah	0.07	150	0.9	4.4
Vermont	0.10	265	1.7	5.9
Virginia	0.12	147	1.0	5.7
Washington	0.08	238	1.5	7.4
West Virginia	0.06	189	1.1	10.9
Wisconsin	0.09	190	1.2	5.0
Wyoming	0.07	146	0.9	5.6
Mean	0.09	246	1.4	6.5
Standard Deviation	0.03	144	0.6	1.5

SOURCE: Computed from data on EUC activity obtained from the UI state reports database and data from the Current Population Survey.

per unemployed person in the nation as a whole, but four states (Alaska, Connecticut, New Jersey, and Rhode Island) had average total weeks of EUC of more than twice this level. As we show later, high levels of unemployment in these states explain a significant portion of these differences. Similarly, variation in states' UI benefit levels combined with these differing EUC experiences to yield a very high variance in the dollar value of EUC benefits per unemployed worker among the states. For many states, this figure averaged less than $150, but it exceeded $600 in New Jersey and Rhode Island. In general, these results suggest that EUC payments were larger in some states than in others. In subsequent sections, we seek to evaluate the efficacy of this targeting in achieving the goals of the program.

B. THE CYCLICAL ADEQUACY OF THE EUC PROGRAM

An important question concerning the EUC program is the degree to which the EUC program met the needs of workers during the recession of the early 1990s. Assessing adequacy, however, is necessarily arbitrary--there are no unambiguous criteria by which such an emergency program can be said to have performed adequately. Nevertheless, we believe that a careful examination of the temporal and geographic concentration of EUC activities, together with comparisons to earlier programs, provides an overall picture of the program's strengths and weaknesses.

1. National-Level Analysis

Table II.2 provides four summary measures of EUC activities during the entire period of its operation, compared to the earlier emergency programs, FSB and FSC. To focus these comparisons strictly on the "extended benefits" aspect of the EUC program, we have adjusted the national figures to eliminate the portion of EUC claims that arose from the UI-optional feature of

TABLE II.2

NATIONAL MEASURES OF CYCLICAL ADEQUACY

Program	Emergency Exhaustion Rate (Percent)	Total Exhaustion Rate (Percent)	Real Benefits per Unemployed Worker (Dollars)	Real Benefits per Long-Term Unemployed Worker[a] (Dollars)
FSB	63.7	14.8	923	2,616
FSC	83.2	25.0	172	433
EUC	61.1	24.1	267	789

SOURCE: Computed from data on EUC activity obtained from the UI state reports database and data from the Current Population Survey.

NOTE: EUC benefit totals have been adjusted by eliminating optional claims. The exhaustion rates were computed over the entire emergency UI periods. The benefits figures refer to the highest quarters--FSB (1976.1), FSC (1983.2), and EUC (1992.1).

[a]The number of workers unemployed 15 weeks or more is used for long-term unemployed workers.

the program.[4] Although this adjustment is crude, we believe the resulting data are more directly comparable to data from the earlier emergency programs, than would be the unadjusted data.

The first measure, "emergency exhaustion rate," which was computed by dividing total emergency exhaustions by total emergency first payments under the various programs, indicates that the EUC program was similar to the FSB program, in that approximately 61 to 64 percent of all recipients went on to exhaust benefits. FSC exhaustion rates were much higher than those under either FSB or EUC, primarily because emergency durations were much shorter under the 1980s program.

As an alternative to these emergency exhaustion rates, we also computed an estimated "total" exhaustion rate that attempted to measure the fraction of all workers who received a regular UI first payment during the various recessions and who went on to exhaust emergency benefits. By this measure, EUC was more similar to FSC. Under both FSC and EUC, approximately one-fourth of all claimants receiving a regular UI first payment went on to exhaust the benefits available from an emergency program. This contrasts to the relatively low total exhaustion rate that occurred under the FSB program (here, estimated as 15 percent.)[5]

These comparisons help illustrate the role of the permanent EB program during various recessions. During the recession of the 1970s, EB benefits were substantial and occurred before any FSB benefits were collected. Therefore, assuming that practically all exhaustees from one stage of

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[4]We used estimates computed from individual-level data of the number of recipients who were "EUC only" during Phase III and IV of the program as representing the number of UI-optional recipients. In all, such an adjustment served to reduce EUC first payments and exhaustions by about 29 percent during these phases. Dollar-denominated EUC measures were reduced by about 23 percent.

[5]In their study of the FSB program, Corson and Nicholson (1982) use a somewhat different methodology to calculate a total exhaustion rate of 16-17 percent--a figure that, they point out, is well below exhaustion rates for regular UI during periods of high employment.

UI benefits went on to the next, the total exhaustion rate for FSB represented the product of three numbers: the exhaustion rate for regular UI (about 40 percent), the exhaustion rate for EB (about 60 percent), and the exhaustion rate for FSB (about 60 percent). For FSC, the regular EB program played a greatly reduced role. If only half of all recipients used that program, its "effective" exhaustion rate was about 80 percent. In combination with the observed FSC exhaustion rate of about 80 percent, this would yield a total exhaustion rate of 26 percent. Finally, the EB program was almost completely replaced by EUC in the 1990s; hence, a prediction of the total exhaustion rate of that program is about 24 percent. By this measure, EUC did a fairly good job of replacing EB during the recession, in that the total exhaustion rate actually was somewhat lower than it was for FSC. EUC, however, did not come close to providing the protection for unemployed workers that the combined EB/FSB program did in the 1970s.

This broad conclusion is supported by the other entries in Table II.2, which show total real benefits paid under the emergency programs on a per-unemployed-worker basis. Regardless of whether these figures are computed on the basis of all unemployed workers, or only on the basis of all workers unemployed 15 weeks and longer, the level of benefits provided by EUC fell somewhere between that provided by FSB and that provided by FSC.[6] To put these figures in perspective, real regular UI benefits per unemployed worker averaged $522 over the entire period 1971.1 to 1994.4. Hence, all emergency programs paid benefits that constituted a significant proportion of unemployment compensation during periods when the programs were in effect. Further computations showed that, during the peak quarter (1976.2), FSB benefits constituted more than 52 percent of all real, unemployment compensation benefits. For FSC (peak quarter, 1983.2), the figure

[6]Real benefits per worker unemployed 27 weeks and longer were, of course, much larger than these figures--amounting to $4.458 for FSB, $692 for FSC, and $1,450 for EUC.

was 24.6 percent. Once again, EUC fell between these extremes by totaling approximately 34 percent of all UC benefits in 1992.2.[7]

To gain further understanding of the cyclical performance of EUC at the national level, we estimated a series of descriptive regression equations using real total unemployment compensation benefits per unemployed worker as the dependent variable (results are reported in Table II.3). The first regression used as independent variables only the TUR and three seasonal dummies. Subsequent regressions added other cyclical measures on unemployment durations. All the regressions were adjusted for significant first-order autocorrelation in their residuals.[8]

The equations reported in Table II.3 explain the data reasonably well, and all show strong cyclical and seasonal influences on the real UC benefits series. There does appear to be some colinearity between the TUR itself and the various durations measures used, although all the results seem to accord well with prior expectations. Focusing on equation 3, for example, we see that real UC benefits per unemployed worker are estimated to increase by about $72 for each percentage point increase in the TUR and by about $27 for each percentage point increase in the fraction of workers unemployed 27 weeks or longer. If, during a "typical" recession, the TUR increases by two percentage points and the fraction of workers unemployed 27 weeks or longer increases by five percentage points, total real UC benefits would be predicted to increase by $279 (= 2 × $72 + 5 × $27).

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[7]Including EB in the calculation raises the percentages to 62 for EB/FSB, 35 for EB/FSC, and 34 for EB/EUC. As for the exhaustion rate calculations, the figures for FSC and EUC are very similar, once EB is taken into account.

[8]In preliminary analyses a time trend was included in these regressions, but its coefficient was never significantly different from zero, and that variable was not included in the models reported here.

TABLE II.3

REGRESSIONS ON REAL TOTAL BENEFITS PER UNEMPLOYED WORKER
(1971.1 to 1994.4)

	Equation				
Independent Variable	1	2	3	4	5
Total Unemployment Rate (TUR)	101.97*** (22.38)	57.73** (23.90)	71.50** (21.60)	69.68** (23.00)	66.36** (24.06)
Percent Unemployed More than 15 Weeks		1,922.27*** (475.12)			604.05 (855.04)
Percent Unemployed More than 27 Weeks			2,687.82*** (599.02)		2,011.15* (1,089.41)
Average Duration of Unemployment				45.20*** (12.36)	
Q1	208.47*** (14.97)	216.13*** (13.91)	209.32*** (13.49)	207.44*** (13.92)	215.84*** (13.69)
Q2	70.77*** (17.10)	80.13*** (15.91)	70.69*** (15.41)	68.97*** (15.91)	77.14*** (15.74)
Q3	-7.09 (14.75)	-5.04 (13.70)	-6.05 (13.30)	-9.56 (13.74)	-4.18 (13.50)
Constant	-144.09 (223.65)	-409.89 (257.92)	-427.01 (282.38)	-703.34 (340.31)	-419.50 (276.62)
AR (1)	.94*** (.03)	.96*** (.03)	.97*** (.03)	.97*** (.03)	.96*** (.03)
R^2	.92	.94	.94	.93	.94
Standard Error of Regression	81.22	74.26	73.79	76.23	73.22

NOTE: Standard errors are in parentheses.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

We used this general calculation to appraise the cyclical adequacy of all extended benefits programs. To do that, least squares regressions identical to the form used as equation 3 in Table II.3 were fit to four data series over the 1971.1 to 1994.4 period: (1) total real benefits per unemployed worker, and its three constituent parts: (2) regular benefits per unemployed worker, (3) EB benefits per unemployed worker, and (4) emergency benefits per unemployed worker.[9] An examination of the residuals from these regressions leads to several observations.

First, residuals estimated from the total benefits equation had very different patterns during the three emergency periods studied. For the FSB period, large positive residuals were the prevalent pattern, averaging more than $800 per unemployed worker during the four quarters, 1975.3 to 1976.2. Approximately three-fourths of this "unexplained" positive residual arose from the FSB program itself, with smaller (although still positive) residuals being attributable to regular UI and to the EB program.

Second, for the FSC program, this pattern was reversed. The total benefits regression exhibited negative residuals throughout most of the period, averaging nearly -$250 during both 1982 and 1983. Again, perhaps as much as three-quarters of this shortfall was explained by the negative residuals in the FSC regression, although negative residuals were also recorded for the regular UI and EB programs.[10]

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[9]To preserve the property that the residuals sum properly to totals across the regressions, these equations were not adjusted for autocorrelation.

[10]This pattern of residuals for FSC is similar, although not identical, to that reported in Corson, Grossman, and Nicholson (1986). The primary difference here is that the total and FSC residuals are more uniformly negative than in the earlier report. Apparently, the additional data available for the regressions (especially those related to EUC) provide stronger confirmation of the modest size of the FSC response.

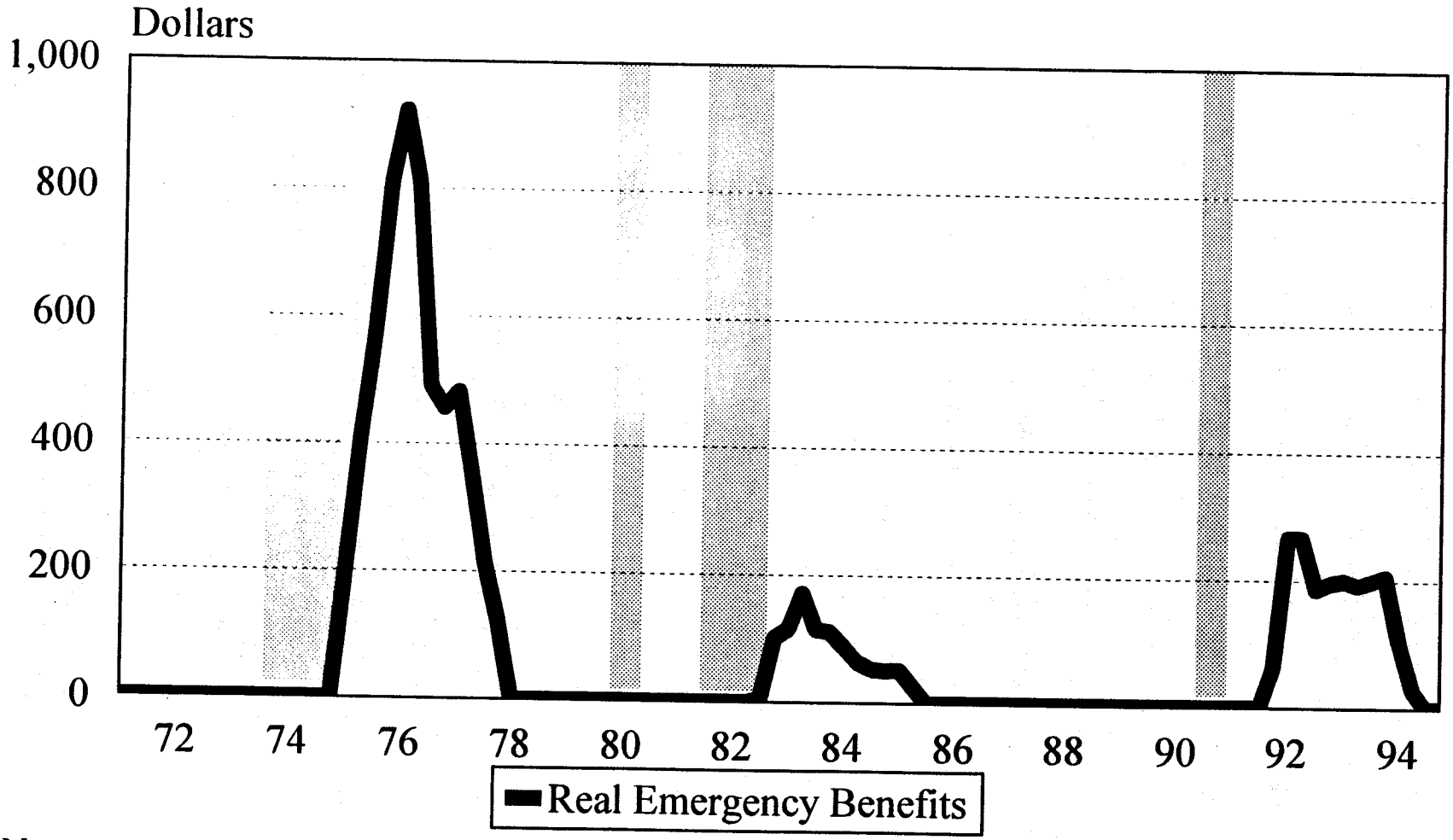
Third, the residuals exhibited no strong patterns for the EUC period. For total benefits, the residuals had both positive and negative signs and were never larger than half the regression's standard error. Some of the quarterly residuals (for example, those for early 1992) supported the notion that EUC succeeded in offsetting the EB shortfall during these quarters, but this pattern was not uniform throughout the EUC period. Therefore, from the perspective of these regressions, EUC again appeared to be a midsized response to the recession of the early 1990s, falling between the FSB and FSC experiences.

For many years, analysts have been concerned that delays in the implementation of emergency programs may result in their benefits being received well after labor markets have recovered from recessions, thereby both reducing these programs' anti-recessionary effectiveness and targeting benefits to large numbers of workers who are not "recession victims." Figures II.4 to II.6 address these issues. All the figures contain shaded bars that represent National Bureau of Economic Research (NBER) reference cycles recorded on a peak-to-trough basis. Although the use of NBER dating may not be ideal from the perspective of UI policy (since labor markets usually lag behind the business cycle as measured by the NBER), this method of dating is widely used and has been employed in prior research on extended benefits policy. Hence, we use this shorthand method for categorizing business cycles here.

Benefits paid under the three major emergency programs of the past 20 years all peaked well after the cyclical troughs (Figure II.4). For EUC, the gap was especially large. Real EUC benefits per unemployed worker peaked in 1992.2, nearly five quarters after the cyclical trough in 1991.1. On the other hand, for FSB and FSC, real benefits per unemployed worker tended to peak between

FIGURE II.4

REAL TOTAL BENEFITS UNDER EMERGENCY PROGRAMS
PER UNEMPLOYED PERSON



Note: Emergency benefits are adjusted to exclude benefits paid as EUC optional claims. The shaded bars represent economic recessions as defined by the National Bureau of Economic Research.

two and four quarters after their respective cyclical troughs.[11] Part of this disparity can be explained by the relatively slow recovery from the 1991 recession, but the difference is still surprising, given the important role EB played in the previous recessions. That role is highlighted in Figure II.5, which clearly shows the cyclical sensitivity of the EB program prior to the 1990s. In the recessions of the 1970s and 1980s, real EB benefits per unemployed worker grew very rapidly even before the cyclical troughs. This would have resulted in a delay of emergency benefits for a large number of claimants until they reached their "third tier." Although there was a minor increase in EB benefits shortly after the cyclical trough in 1991.1, implementation of EUC in combination with long-standing difficulties with the EB trigger mechanism severely constrained the responsiveness of the permanent program.

Finally, Figure II.6 uses the regression methodology underlying Table II.3 to gain further insights into the timing question. That figure reports the residuals from equation 3 in Table II.3 as an indicator of the adequacy of the programmatic response to the various recessions.[12] The figure shows that total real unemployment compensation per unemployed worker typically experiences an unexpected small decline early in a recession. After that, policy responses have varied widely, ranging from the unexpectedly large increase associated with FSB to the lengthy period of negative residuals associated with FSC. For EUC, the policy response seems to have restored total benefits to their predicted levels, although the delay in this response is also apparent. Again, the overall lesson to be drawn from Figure II.6 is that, given its effective replacement of the permanent EB

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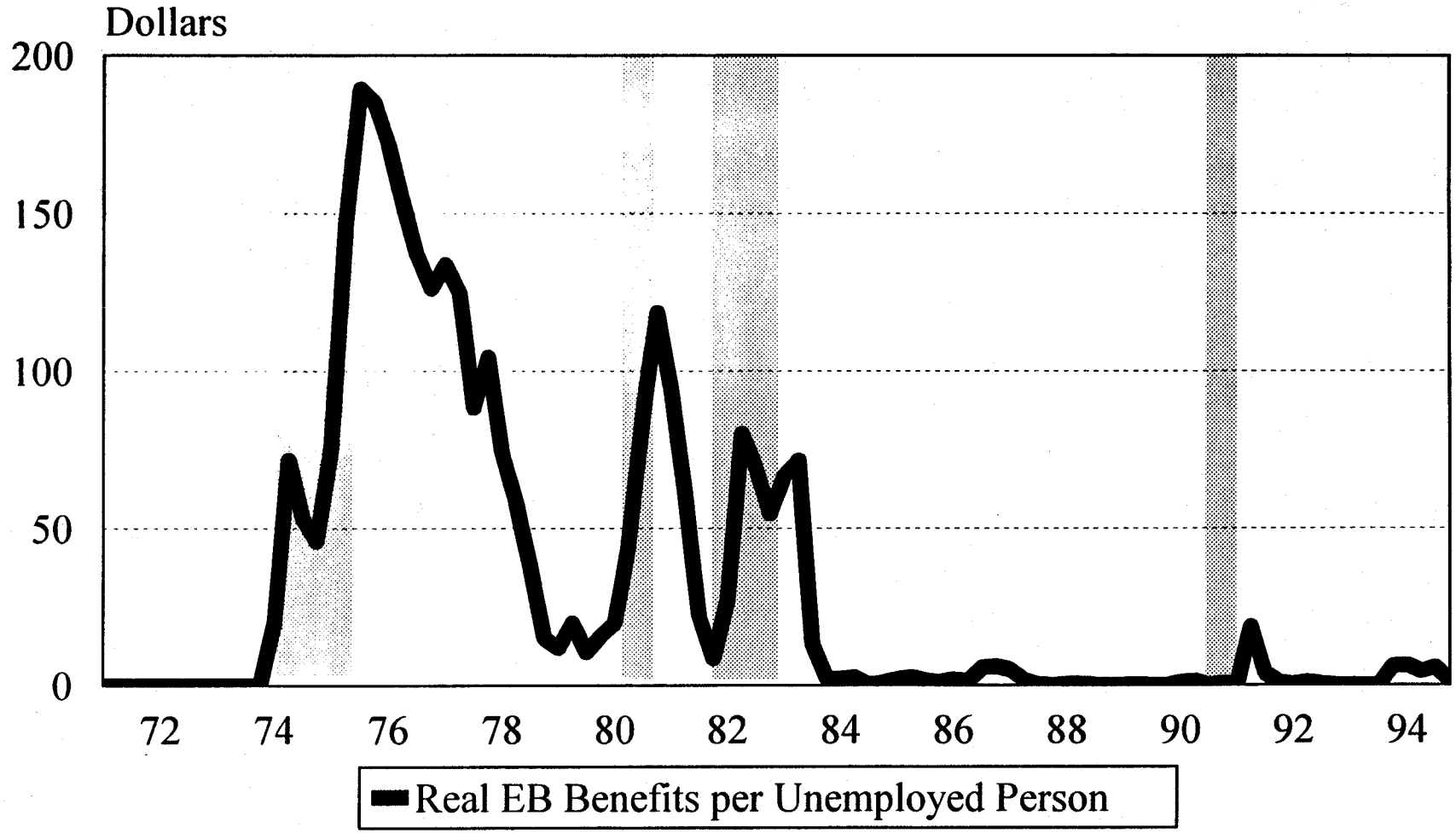
[11]FSB benefits peaked in 1976.1 (trough 1975.1), FSC in 1983.1 (trough 1982.4).

[12]Although equation 3 was estimated by maximum likelihood to control for autocorrelation, the residuals were computed such that the predicted value of the dependent variable was not adjusted for autocorrelation.

FIGURE II.5

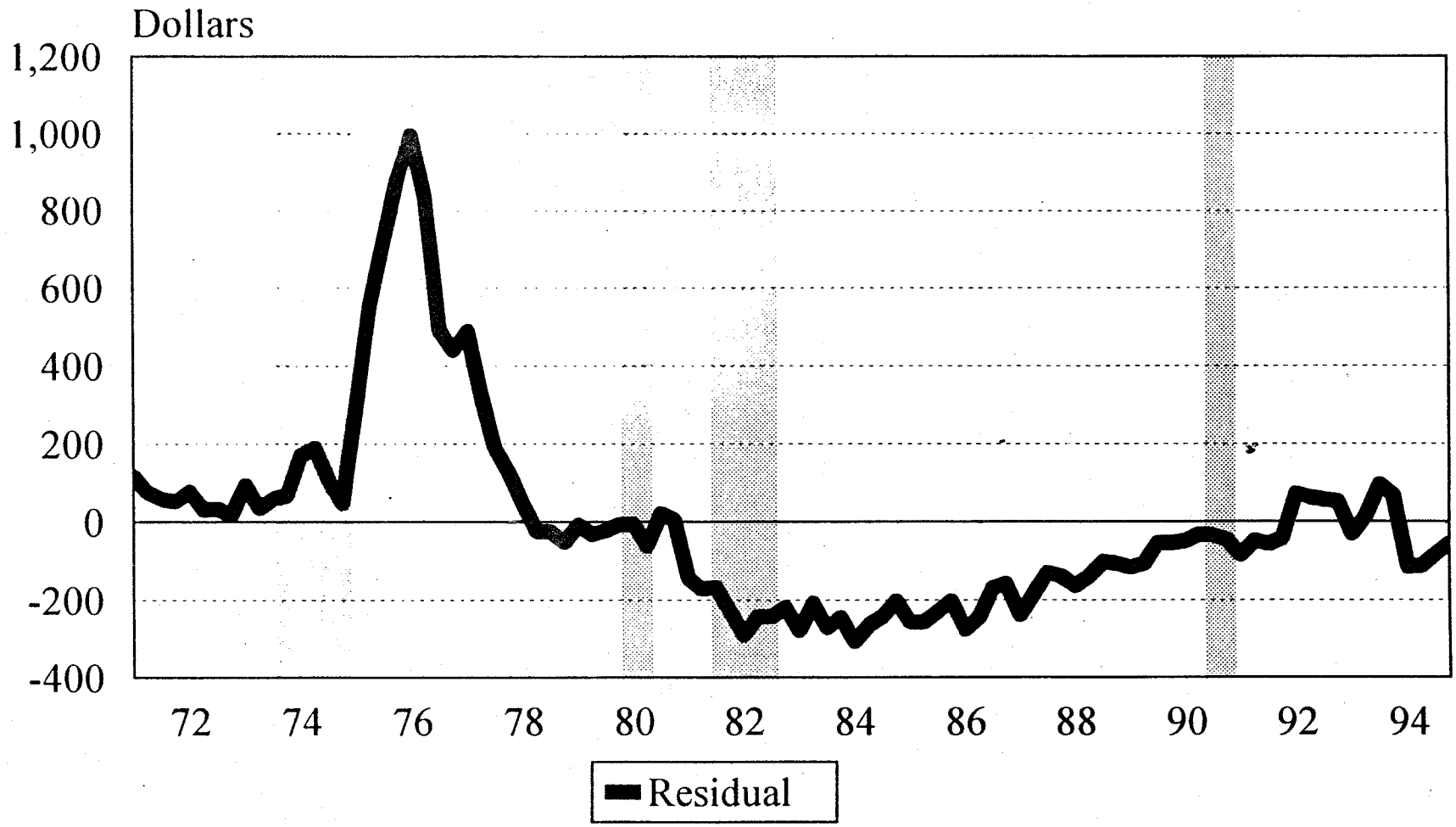
REAL EB BENEFITS PER UNEMPLOYED PERSON



Note: The shaded bars represent economic recessions as defined by the National Bureau of Economic Research.

FIGURE II.6

UNEXPLAINED RESIDUAL IN TOTAL REAL
UNEMPLOYMENT COMPENSATION BENEFITS



Note: The shaded bars represent economic recessions as defined by the National Bureau of Economic Research.

program, the extended benefits component of EUC was consistent with earlier such extended benefits programs in terms of the severity of the recession in the early 1990s.

2. State-Level Analysis

State-level data on EUC can also be used to evaluate the program's cyclical performance. Basic measures of such performance are illustrated in Table II.4. To achieve comparability among the states, all data are presented on a per unemployed worker or per insured unemployed worker basis. The entries in the table have been adjusted for the optional claims feature of the EUC program--that is, they refer only to the extended benefits aspect of the EUC program, not to its regular UI replacement component. Overall, the figures in Table II.4 exhibit considerable variability in the impact of EUC on states. For example, whereas adjusted EUC first payments per insured unemployed worker averaged approximately 0.25, five states had figures over 0.35.[13] Similarly, dollars paid in EUC benefits vary widely across the states. Adjusted dollars per insured unemployed worker averaged $638 across all the states, but six of them averaged more than $1,100 per insured unemployed worker.

The significant variability exhibited by the figures in Table II.4 show that EUC triggers did allocate available funds differently among the states. To examine the properties of this targeting, we ran a series of simple, ordinary least squares regressions on the state average figures. Explanatory variables included both measures of the strength of the state labor market (the TUR) and measures of the generosity of state UI programs (results for these regressions are reported in Table II.5). In general, these regressions explained at least half the variation in the state-level EUC

[13]In one state--Virginia--our estimate of adjusted EUC first payments per insured unemployed worker amounted to more that 0.51, however, inconsistencies in the initial claims and first payments data reported by the state suggest that EUC first payemnts may be overstated.

TABLE II.4

ADJUSTED EUC BENEFITS PER UNEMPLOYED AND
PER INSURED UNEMPLOYED WORKER

	First Payments			Total Dollars of Benefits Paid		
	All EUC	Adjusted EUC		All EUC	Adjusted EUC	
State	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed
Alabama	0.07	0.05	0.22	107	93	378
Alaska	0.16	0.13	0.25	462	396	754
Arizona	0.07	0.05	0.22	132	112	460
Arkansas	0.08	0.06	0.17	195	168	452
California	0.07	0.06	0.16	292	256	722
Colorado	0.06	0.05	0.20	163	142	581
Connecticut	0.15	0.13	0.31	574	532	1250
Delaware	0.07	0.06	0.16	207	177	482
DC	0.15	0.15	0.37	495	477	1192
Florida	0.08	0.07	0.31	196	180	745
Georgia	0.07	0.06	0.24	156	138	580
Hawaii	0.11	0.09	0.19	394	336	701
Idaho	0.10	0.09	0.21	200	172	433
Illinois	0.09	0.09	0.26	243	221	687
Indiana	0.06	0.05	0.23	93	80	369
Iowa	0.08	0.06	0.18	194	167	487
Kansas	0.09	0.08	0.21	241	208	599
Kentucky	0.07	0.06	0.20	173	142	516
Louisiana	0.07	0.05	0.22	108	78	327
Maine	0.15	0.11	0.32	378	291	839
Maryland	0.07	0.06	0.20	246	214	683
Massachusetts	0.09	0.08	0.21	579	518	1359
Michigan	0.10	0.09	0.27	338	292	907
Minnesota	0.08	0.07	0.21	218	195	602
Mississippi	0.09	0.07	0.28	143	122	459
Missouri	0.11	0.09	0.26	225	196	562
Montana	0.07	0.06	0.19	145	126	378
Nebraska	0.06	0.05	0.15	104	89	263
Nevada	0.10	0.08	0.21	243	210	550
New Hampshire	0.08	0.06	0.34	152	138	631
New Jersey	0.14	0.13	0.33	610	570	1494
New Mexico	0.03	0.02	0.09	101	88	383
New York	0.14	0.12	0.33	473	411	1140
North Carolina	0.15	0.07	0.27	197	151	574

TABLE II.4 *(continued)*

State	First Payments			Total Dollars of Benefits Paid		
	All EUC	Adjusted EUC		All EUC	Adjusted EUC	
	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed	Per Unemployed Worker	Per Unemployed Worker	Per Insured Unemployed
North Dakota	0.09	0.08	0.26	154	134	462
Ohio	0.07	0.05	0.19	219	188	643
Oklahoma	0.06	0.06	0.24	149	141	612
Oregon	0.10	0.08	0.19	292	246	600
Pennsylvania	0.13	0.11	0.25	466	412	993
Rhode Island	0.17	0.14	0.35	611	529	1238
South Carolina	0.07	0.06	0.22	147	128	471
South Dakota	0.03	0.02	0.11	33	29	146
Tennessee	0.11	0.09	0.28	185	160	491
Texas	0.07	0.06	0.29	179	159	734
Utah	0.07	0.06	0.23	150	129	519
Vermont	0.10	0.08	0.18	265	229	498
Virginia	0.12	0.10	0.51	147	127	687
Washington	0.08	0.06	0.16	238	201	489
West Virginia	0.06	0.05	0.21	189	158	678
Wisconsin	0.09	0.06	0.15	190	142	338
Wyoming	0.07	0.06	0.19	146	125	443
Standard Deviation	0.03	0.03	0.07	144	132	286

SOURCE: Computed from data on EUC activity obtained from the UI state reports database and data from the Current Population Survey.

NOTE: Data on EUC first payments and benefits are adjusted to exclude payments made under the EUC optional claims provision.

TABLE II.5

REGRESSIONS ON STATE AVERAGES DURING EUC
(51 observations)

	Adjusted EUC First Payments[a]				Adjusted EUC Dollars[a]			
	Per Unemployed Worker		Per Insured Unemployed Worker		Per Unemployed Worker		Per Insured Unemployed Worker	
Independent Variables	1	2	3	4	5	6	7	8
Total Unemployment Rate (TUR)	.0058** (.0020)		.0153** (.0062)		27.39*** (6.94)		77.22*** (14.27)	
Insured Unemployment Rate (IUR)		.0135*** (.0027)		.0039 (.0100)		59.56*** (8.59)		86.68*** (24.69)
Average Weekly Benefit Amount	.0006*** (.0001)	.0005*** (.0001)	.0007** (.0003)	.0008** (.0003)	3.33*** (.34)	2.87*** (.29)	7.03*** (.70)	6.58*** (.83)
Average Potential Duration	-.0047** (.0014)	-.0043*** (.0012)	-.0150** (.0043)	-.0133*** (.0045)	1.94 (4.80)	-0.87 (3.52)	-12.17 (9.87)	-6.32 (11.07)
Constant	.0466 (.0330)	.0606** (.0285)	.3678*** (.1124)	.4533*** (.1161)	-474.54*** (114.74)	-407.79*** (91.84)	-749.17** (235.96)	-549.92* (263.92)
R^2	.51	.63	.30	.21	.73	.83	.76	.69
Standard Error of Regression	.02	.02	.06	.07	69.90	56.72	143.73	162.99

NOTE: Standard errors are in parentheses.

[a]EUC first payments and dollars are adjusted to eliminate payments made under the EUC optional claims provisions.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

data. The measure of labor market strength (the TUR or the IUR) was always statistically significant, confirming the fact that EUC did achieve a significant degree of countercyclical targeting. The estimated coefficients of the cyclical variables in Table II.5 were relatively low, however. For example, each percentage point increase in the TUR was estimated to increase adjusted EUC first payments per unemployed worker by 0.6 percent and to raise dollars of EUC by $27. Regressions that used the IUR as a cyclical measure gave similar results, although these equations tended to fit the data somewhat better than those that used the TUR. Coefficients for the IUR tended to be 2 to 2.5 times the size of those for the TUR--a difference roughly in line with the magnitude of these variables.

Examination of the residuals from the equations in Table II.5 suggests that EUC activity across the states was considerably less variable than might be suggested by the raw data. Only four states (Connecticut, Delaware, Massachusetts, and Tennessee) had figures for adjusted EUC dollars per unemployed worker that were greater than one standard deviation above what might have been expected, given their characteristics. Similarly, four states (Michigan, Minnesota, Washington, and West Virginia) had averages more than one standard deviation below the figures predicted by the regressions. For most states, however, characteristics of their unemployment compensation systems, together with measures of local labor market strength, explain EUC activity fairly well. Therefore, the overall complexity of the program appears not to have distorted in any major way its operation as a traditional extended benefits program.

Finally, the state data can also be used to appraise the timing of the extended benefits portion of the EUC program. To do so, we constructed a pooled data series for all the states covering the period 1991.4 to 1994.2. These data permitted us to evaluate whether the typical state's experience suggested that EUC activity met the state's labor market needs during the period the program was

in operation. Consequently, our modeling of differences among the states over time relied on relatively simple specifications. Typically, we included a measure of cyclical sensitivity (the TUR or the IUR), together with quarterly and state dummy variables (a "fixed-effect" model), as explanatory variables in regressions on adjusted EUC first payments and total benefits per unemployed person. Table II.6 reports representative results for these estimates.

The results suggest that, for the typical state, adjusted EUC first payments expanded rapidly once the program was introduced, but that dollars of benefits paid in the first quarter of the program's operation (1991.4) were significantly lower than might have been predicted by the severity of labor market conditions at that time. Hence, the mid-quarter introduction of the program and the lag in implementation that has characterized all emergency programs were readily apparent in the state data. Overall, it appears that in 1994.4 EUC benefits per unemployed worker were about $170 short of what the program provided in its later periods of operations, given labor market conditions.

A somewhat surprising result of the pooled estimates involves the termination of EUC. Prior studies of emergency benefits programs have suggested that a large fraction of benefits are paid well after the economy has recovered, thereby suggesting that more careful targeting would be appropriate. However, because of the "long and shallow" shape of the recession of the early 1990s, we did not find that pattern repeated. Instead, the pooled estimates reported in Table II.6 suggested that both EUC first payments and total benefits were significantly lower in the final two quarters of the program's operation (1994.1 to 1994.2) than might have been predicted by the relative strength of the states' labor markets. Indeed, the shortfall of total benefits per unemployed worker in 1994.2 closely approximated the shortfall at the start of the program in 1991.4. Therefore, it appears that

TABLE II.6

POOLED REGRESSIONS ON EUC ACTIVITY
(1991.4-1994.2)

	Adjusted EUC First Payments per Unemployed Worker		Adjusted EUC Dollars per Unemployed Worker	
Independent Variables	OLS	Fixed Effects	OLS	Fixed Effects
Total Unemployment Rate (TUR)	.0047*** (.0011)	.0032*** (.0011)	33.34*** (4.16)	32.10*** (4.18)
1991.4	.0314*** (.0063)	.0315*** (.0057)	-170.95*** (24.40)	-170.88*** (21.87)
1992.1	.0237*** (.0063)	.0243*** (.0057)	54.73** (24.40)	54.70** (21.87)
1992.2	-.0039 (.0063)	-.0034 (.0057)	44.93* (24.40)	45.40** (21.87)
1992.3	-.0217*** (.0063)	-.0213*** (.0057)	-40.84* (24.40)	-40.43* (21.87)
1993.3	.0069 (.0063)	.0066 (.0057)	18.66 (24.40)	18.32 (21.87)
1993.4	-.0153** (.0063)	-.0159** (.0057)	19.04 (24.40)	18.51 (21.87)
1994.1	-.0336*** (.0063)	-.0345*** (.0057)	-93.78*** (24.40)	-94.84*** (21.87)
1994.2	-.0792*** (.0063)	-.0809*** (.0057)	-185.03*** (24.40)	-188.50*** (21.87)
Constant	.0534*** (.0077)		29.71 (29.96)	
R^2	0.39	0.50	0.31	0.46
Standard Error of Regression	0.04	0.04	150.87	135.28
X^2 for Fixed Effects		113.29***		136.83***

NOTE: Standard errors are in parentheses. There are 561 state-quarter periods.

*Significantly different from zero at the .10 level, two-tailed test.
**Significantly different from zero at the .05 level, two-tailed test.
***Significantly different from zero at the .01 level, two-tailed test.

the peculiarities of the 1990s recession may have altered somewhat the standard view of the timing of emergency programs.

C. STABILIZING EFFECTS OF THE EUC PROGRAM

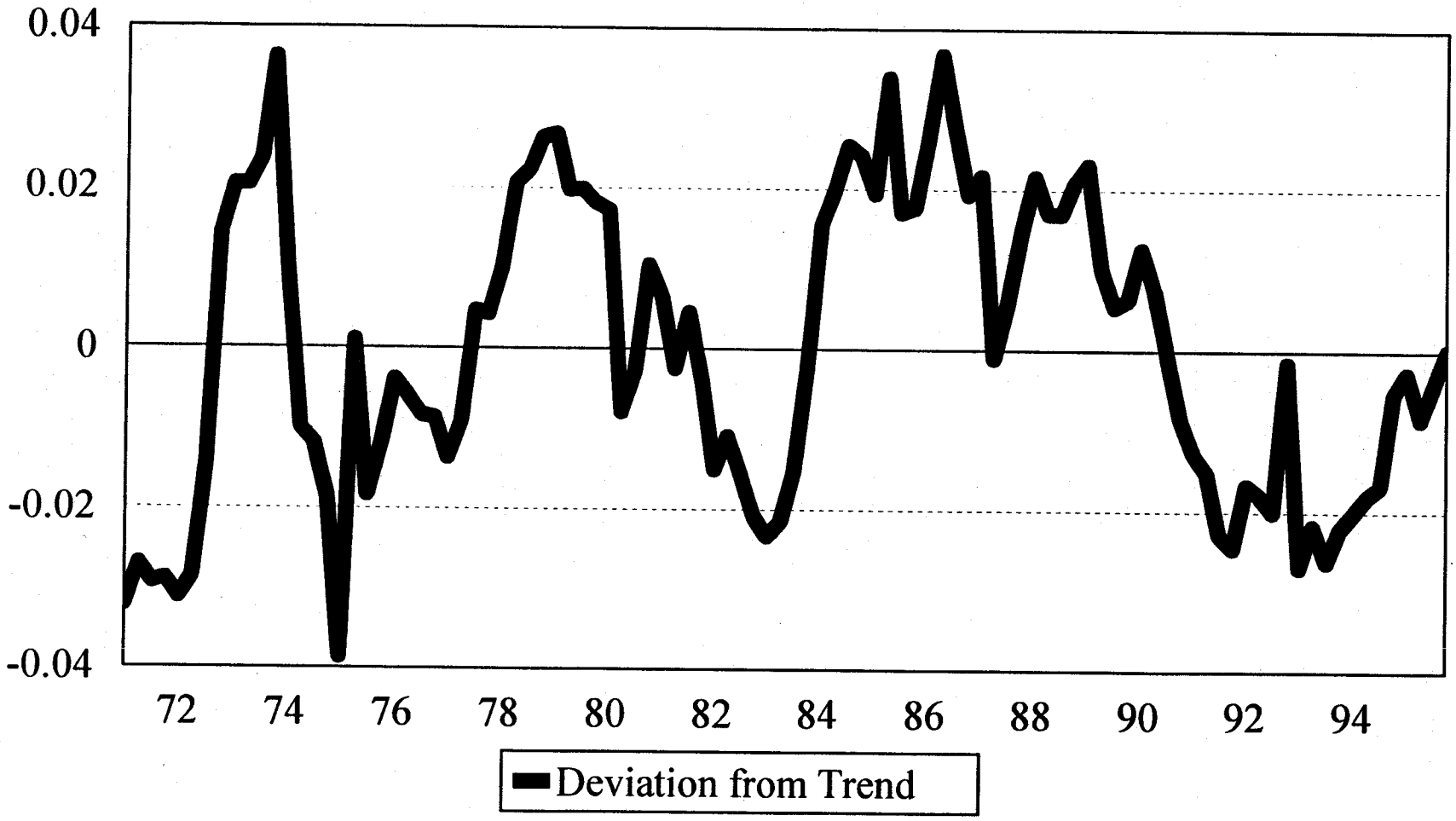
A major goal of all unemployment compensation programs is to stabilize purchasing power during recessions, thereby fostering the future recovery of the economy. Regular UI benefits meet this goal automatically: benefits expand as laid-off workers file their initial claims. In prior recessions, the EB program also tended to play the role of automatic stabilizer, although in these cases, legislative changes in trigger criteria were sometimes used to ensure that the program performed its role in a timely manner. Because emergency extended benefits programs are discretionary, they cannot properly be categorized as "automatic" stabilizers. The benefits paid under emergency programs still perform a potentially important stabilization role, however, especially in the later stages of a recession. In this section, we examine how well EUC played this role.

To evaluate the stabilization properties of EUC, we first sought to characterize the decline in purchasing power that accompanies recessions. We fit a simple exponential time trend to real disposable income over the 1971-1995 period.[14] Negative deviations from this trend were then regarded as measuring the cyclical declines in purchasing power that UC benefits are intended to stabilize. Several conclusions can be drawn from an examination of this measure (Figure II.7). First, in terms of purchasing power, the recession of the early 1990s appears not to have been as mild

[14]We also investigated several other measures of recessionary declines in economic activity, including real Gross Domestic Product (GDP), real consumption spending, and national income. These indicators gave somewhat different appraisals of the relative severity of the three recessions we investigated. However, all showed that the decline of the 1990s was of somewhat longer duration than were the declines in prior decades. Although we believe that the focus on trends in real disposable income is an appropriate one for appraising stabilization policy, the fact that other cyclical indicators implied that the recession of the early 1990s was not as severe suggests that caution should be exercised in interpreting our results.

FIGURE II.7

DEPARTURES OF REAL DISPOSABLE INCOME FROM TREND
LOGARITHMIC SCALE 1971.1 - 1995.4



as traditionally portrayed. Deviations of real disposable income of more than two percent below trend occurred during more quarters of the 1990s than in any major recession in earlier decades. Similarly, the tendency of the 1990s recession to linger on is readily apparent in the data on purchasing power. Although the official trough of the recession occurred late in 1990, large negative residuals in real disposable income lasted into mid-1994. Finally, Figure II.7 implies that total lost purchasing power during the complete 1990s downturn exceeded by a substantial margin total losses in earlier downturns. In part, of course, these larger total losses are explained by the much larger size of the national economy in the 1990s. But, even in percentage terms, the length of the 1990s downturn resulted in the largest losses of purchasing power of all the downturns shown in Figure II.7.

The relatively unusual shape of the 1990s recession makes it difficult to compare the stabilization properties of EUC to those of earlier emergency programs. In the latter periods, such appraisals usually found that emergency benefits occurred too late in the recession to have much stabilization impact. EUC benefits followed a similar trend, in that the program did not begin to pay benefits (in 1991.4) until three quarters *after* the NBER-designated recessionary trough (in 1991.1). This official timing of the recession, however, may be misleading. Because the shortfall in purchasing power in the 1990s lasted far beyond the recessionary trough, such a calculation may not tell the full story here. Throughout the years 1992 and 1993, EUC provided an important offset to the shortfall in disposable income; hence, the program may indeed have contributed to the economy's ultimate recovery in purchasing power in late 1994. Table II.7 provides some summary measures that help make this point. In the aggregate, the gap in disposable income illustrated in Figure II.7 was much greater in the 1990s than in earlier recessions. Our simple time trend analysis suggests that disposable income fell $800 billion below trend during the period examined, versus

TABLE II.7

STABILIZATION EFFECTS OF UNEMPLOYMENT COMPENSATION PROGRAMS

	1970s	1980s	1990s
Period Covered	1975.1-1977.2	1982.3- 983.4	1991.4-1994.2
Total Quarters	10	6	11
Total Disposable Income Gap ($Billions)	280	290	800
Percent Replaced by Emergency Benefits	12.9	2.3	2.4
Percent Replaced by EB and Emergency Benefits	15.7	3.4	2.4
Percent Replaced by All UC	26.7	12.3	7.7

less that $300 billion in earlier recessions. In part, this larger shortfall is explained by the growth of the real economy over the period, but a more important explanation is the much greater number of quarters that constituted the 1990s shortfall. The figures in Table II.7 show that all unemployment compensation benefits replaced a much smaller percentage of the large income shortfall in the recession of the 1990s than they did in prior recessions. EUC's replacement was also relatively modest, averaging 2.4 percent of the income shortfall over the entire period. However, detailed examination of the timing of the emergency programs suggests that EUC's replacement proceeded at a much more steady rate over the period than was the case for the other emergency programs. For virtually all the quarters of the EUC program's existence, its benefits replaced between 2 and 4 percent of the estimated shortfall in disposable income. Figures for the earlier emergency programs were much more erratic. Both FSB and FSC provided large amounts of benefits during quarters in which the income shortfall was either very small or nonexistent. Hence, these computations suggest that, relative to other emergency programs, EUC had modest, but steady, stabilizing influence on the economy during its period of operation.

Indeed, our analysis suggests that, if anything, EUC may have been phased out a few quarters too early. Even by the third quarter of 1994, real disposable income remained nearly 2 percent below trend--a greater shortfall than experienced this late in either of the earlier recessions. Continuation of EUC benefits at roughly the same levels as in 1993.4 and 1994.1 into 1994.2 and 1994.3 would not have resulted in replacement percentages any larger than those that characterized the periods of the program's peak operations. However, the conclusion that EUC ended somewhat prematurely, from the point of view of stabilization, is not supported by other measures of economic activity (such as real GDP) which had largely returned to their trend growth paths by early 1994.

Of course, using EUC-type programs to sustain real incomes may be inferior to other types of programs (such as tax reductions), but we have not examined such programs here.

D. THE PERFORMANCE OF EUC TRIGGERS

Two aspects of the EUC program concern the extended benefits trigger mechanism and its sensitivity to the trigger indicators and threshold levels used. Of most direct relevance is the trigger used in the program itself to implement eligibility for "upper-tier" (longer potential duration) benefits. That mechanism sought to focus longer potential durations on especially weak labor markets, and there is a natural policy interest in how sensitive the results were to the triggers used. Of perhaps greater relevance to overall extended benefits policy is the relationship between EUC and the regular EB program. Specifically, administrative policy allowed EUC to supplant EB during the recession of the 1990s. A natural question, then, is: How would EB itself have performed if this substitution had not occurred? In this section, we develop a simulation methodology to address both issues.

1. Triggering Upper-Tier Benefits

Upper-tier potential durations under the EUC program were available during 79 of the 561 state-quarter periods in which EUC was in effect (Table II.8).[15] Although this represents only about 14 percent of the periods in which the EUC program was available, we estimate that a far higher fraction of EUC claimants (approximately 26 percent) were eligible for maximum durations. The primary reason for the discrepancy is that periods of EUC maximum benefits were likely to occur in weak labor markets and in somewhat larger states (especially California, where such maximums

[15]Because EUC periods did not coincide precisely with calendar quarters, all the figures in this section are necessarily estimates, even for cases in which we seek to describe the operations of the actual program rather than simulate alternative scenarios.

TABLE II.8

PREVALENCE OF EUC UPPER-TIER POTENTIAL DURATIONS

	EUC Periods[a]	EUC First Payments	Adjusted EUC First Payments[b]	Regular UI Exhaustees
Total	562	9,216,000	7,708,000	9,318,000
At Upper-Tier Duration	79	2,369,000	2,102,000	2,866,000
Percent at Upper Tier	14.1	25.7	27.3	30.8

[a]Refers to state-quarter periods--51 states over 11 quarters of EUC activity.

[b]EUC first payments are adjusted to eliminate claimants who collected benefits under the EUC optional claims provision.

were available throughout the EUC program). This tendency is more pronounced if the number of EUC claimants is adjusted so as to eliminate those who collected benefits under the optional provision of the program. After making such an adjustment--an adjustment suggested by the desire to focus only on EUC claimants for whom the program served as a true extended benefits program--the estimated fraction of claimants in upper-tier periods rises to more than 27 percent. Still, the fraction of EUC claimants estimated to be eligible for longer durations fell a bit short of the estimated fraction of individuals who exhausted UI benefits during periods in which the maximums were in effect. This suggests that a relatively higher fraction of exhaustees did not continue on to EUC in the weakest labor markets.[16] One possibility is that these exhaustees were more likely to stop actively searching for a job and withdraw from the labor market in such locations, but we have no direct evidence on this possibility.

To examine the possible consequences of using alternative triggering criteria for upper-tier benefits within the EUC program, we developed a quarterly simulation model for the program over the period. Calibrating this model posed several difficulties, primarily because of the extremely complex nature of the EUC program itself. In our attempt to simulate the program, we consistently overestimated the extent of upper-tier periods when we used the program's actual trigger levels. Experimentation with the simulations revealed that the primary difficulty lay in our estimated series for the insured unemployment rate measure used in the program's trigger. That rate--the adjusted insured unemployment rate (AIUR)--adds regular UI exhaustees during the most recent three-month period to the numerator of the IUR. Our estimates suggested that this addition raised the mean IUR from 3.3 to 4.2 percent during the overall EUC period, and that it raised the mean IUR in upper-tier

[16]A simple computation from the final two columns of Table II.8 suggests that only 77 percent of exhaustees went on to collect EUC in maximum duration periods, versus 92 percent in regular duration periods.

periods from 5.4 to more than 7 percent. Although we believe our calculations of the AIUR to be correct, it is apparent that these levels suggest far more extensive periods of EUC upper-tier benefits than actually occurred. A possible reason is that actual triggering based on weekly data on the AIUR proved to be less generous than was indicated by our quarterly approximations, but we were unable to examine this hypothesis.

Given these problems with our estimates of the AIUR, we chose to calibrate the simulation model simply by raising the EUC trigger level for the AIUR from its actual value (5 percent) to a level that simulated the approximate level of upper tier periods (6.3 percent). Under this "base case" simulation, we estimated that EUC provided enhanced potential durations during 80 periods (versus 79 in the actual program) in situations in which 2.95 million exhaustees would have been eligible (versus 2.87 million in the actual program). Overall, we found that this simulation correctly predicted the upper-tier status of 60 periods. That is, the simulation model was correct about three-quarters of the time. We viewed this agreement to be suitably close for the rough types of simulations we wished to undertake. Consequently, we employed this base case to evaluate alternative trigger levels that might have been used in the EUC program.

Our simulations (Table II.9) show that EUC upper-tier periods were sensitive to the specified levels of both the TUR and the AIUR. Each tenth of a point reduction in the TUR threshold below nine percent added about 70,000 exhaustees to the set of workers potentially eligible for the upper-tier benefits, whereas each tenth of a point decrease in the AIUR threshold added about 150,000 exhaustees. Variations in the TUR maintained greater consistency with the actual upper-tier periods than did variations in the AIUR, thereby indicating some of the sensitivities inherent in IUR-based triggers. Many periods with overall unemployment levels only slightly below nine percent would

TABLE II.9

SIMULATIONS OF EUC UPPER-TIER DURATION PERIODS
(1991.4-1994.2)

Simulation	Total Unemployment Rate (TUR)	Adjusted Insured Unemployment Rate (AIUR)	Periods at Upper Tier	Exhaustees Eligible for Upper Tier (1,000)	Periods in Agreement
Actual	9	5	79	2,866	79
Simulated Actual	9	5	160	4,938	76
Base Case	9	6.3	80	2,948	60
TUR Variations					
	7.5	6.3	162	4,872	68
	8	6.3	116	3,685	63
	8.5	6.3	95	3,283	62
	9.5	6.3	75	2,557	55
	10	6.3	75	2,557	55
AIUR Variations					
	9	5.5	123	4,052	68
	9	6	94	3,403	62
	9	6.5	73	2,655	56
	9	7	59	2,173	49
	9	7.5	51	2,040	44

not have been eligible for upper tier benefits if the AIUR trigger had been more stringent than it actually was.

2. Substitution of EUC for EB

One provision of EUC, which was in effect until the last two quarters of the program, permitted states to decline to participate in the regular EB program when the state met the trigger criteria for that program. All states took advantage of this option to substitute EUC for EB. To estimate the extent of that substitution, we developed a simulation model of the EB trigger mechanism over the 1991.4-1994.2 period. Results from those simulations are summarized in Table II.10.

As a base case, we estimated that the EB trigger mechanism would have provided EB eligibility during 101 state-quarter periods if all states had adopted the TUR as well as the IUR as a trigger.[17] This would have resulted in nearly 3 million exhaustees of regular UI potentially being eligible for EB.[18] More than half of these would have been eligible for the "upper tier" (20 weeks) of EB rather than the "lower tier" (13 weeks).

Our simulations also showed that with modest variations in that program's trigger criteria, many more exhaustees could potentially have been eligible for EB. The most important of these variations would have been to eliminate the thresholds in the current EB law that require unemployment rates

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[17]The augmented trigger required an IUR of 5 percent, which exceeded the average of the prior two years' IUR by 20 percent, or a TUR of 6.5 percent, which exceeded the prior two years' average TUR by 10 percent. If the TUR trigger was not adopted, EB payments would have been much smaller. Under that scenario, EB would have been available in 28 state-quarter periods for 714,000 exhaustees.

[18]Actual EB first payments totaled about 150,000 during the period, with the vast majority of them occurring in the final two quarters of the EUC program's existence, when the state option to use EUC instead of EB was not in effect.

TABLE II.10

SIMULATIONS OF EB PROGRAM TRIGGERS
(1991.4-1994.2)

Simulation	Insured Unemployment Rate (IUR) Trigger	Threshold	Total Unemployment Rate (TUR) Trigger	Threshold	EB Periods	Exhaustees Eligible for EB (1,000)
Base Case	5	Yes	6.5	Yes	101	2953
Threshold Variants	5	No	6.5	Yes	137	3809
	5	Yes	6.5	No	288	7216
	5	No	6.5	No	295	7257
IUR Variants	4.5	Yes	6.5	Yes	103	2957
	4.5	No	6.5	Yes	167	4809
TUR Variants	5	Yes	6	Yes	112	3039
	5	Yes	6	No	358	7969
EB Upper Tier	NA	NA	8	Yes	39	1736
	NA	NA	8	No	84	3236

NA = not applicable.

to exceed those in prior years by prespecified amounts. In the absence of such thresholds, especially those relating to the TUR trigger, the number of exhaustees potentially eligible for EB would expand significantly.[19] Indeed, eliminating the TUR threshold would have raised the number of eligible exhaustees from less than 3 million to more than 7 million--a number that begins to resemble the adjusted number of first payments under the extended benefits component of the EUC program (8.2 million). Modest variations in the trigger rates themselves would not have had such a substantial impact on EB availability. Reducing the IUR trigger by half a percentage point (to 4.5 percent) would have had an imperceptible effect on EB eligibility if the TUR and both threshold requirements remained in effect. Lowering the TUR threshold to 6 percent (from 6.5 percent) would have expanded EB eligibility somewhat (by perhaps 5 percent), but the thresholds would still have exerted a significant constraining effect.

[19]This finding is similar to that reported in Corson and Rangarajan (1994).